

COVID-19 Pandemic Response

“Capital Markets Authority” State of Kuwait

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- On 14 March 2020, the Capital Markets Authority of the State of Kuwait (CMA) made an announcement regarding conducting the CMA's essential activities during the official holiday as follows:
 - Based on the Cabinet's decision regarding the precautionary suspension of all ministries and government institutions work due to the novel coronavirus, and in line with this decision, only the state facilities whose services are essential shall continue working.
 - The CMA continued its necessary activities related to trading in the Exchange throughout the official holiday with the minimum number of employees.
 - The CMA electronic services were made available to all those addressed in Law No. (7) of 2010 and its amendments.
- Till this date, the government of Kuwait has not resumed full operation as the pandemic still persists. Therefore, an analysis of the effectiveness of the measures has not been conducted yet.
- The following slides summarize the main measures taken by the CMA.

- **Volatility Controls:**

The exchange changed the Circuit Breakers trigger on the security level from +10% and -10% to +10% and -5% with a Normal Market Size Order (NMS) validation at the order entry level that is calculated individually based on the trailing 1-year trading volume during the CB 2 minutes auction. This helped in extending the continuous trading session, as with the trading halt executed at -5%, -7% and -10% on the index level, the market directly triggers level 2 and level 3 trade halts due to the previous -10% security CB level with traders entering their orders at the minimum order price.

- The exchange stopped trading/execution in the following:
 - a. Transfer of ownership
 - b. Special trades
 - c. Mandatory execution
 - d. OTC platform

Sector impacted: Trading Venues

- On March 1, 2020 the trading hall of the Boursa Kuwait Company (BK) was closed until further notice as a precautionary measure to limit the spread of the pandemic by preventing traders from entering the area.
- On March 12, 2020 BK suspended its operations for 1 day.
- On March 13, 2020 and following the issuance of the Council of Ministers Resolution to shutdown government activities, the CMA announced that essential activities will continue and that BK will resume its operations and trading during the shut down which include the following:
 - 1) The CMA will implement its business continuity plan with a reduced staff who will support the continuation of trading at the exchange while insuring that these activities remain transparent.
 - 2) The CMA instructed BK and Kuwait Clearing Company (KCC) to continue their primary activities only, with a reduced staff.
- **Policy Rationale/Objectives of the measure:** The goal is to maintain the activities of the financial markets while protecting the investors.

Sector impacted: All Sectors

Financial Reporting and Disclosure Obligations

- On March 18, 2020 The Authority issued Resolution No. 30 of 2020 obligating all listed companies to postpone the disclosure of the financial statements for the first quarter to the dates set for the second quarter, in consideration of the exceptional circumstances facing most companies and auditors due to the economic effects of this crisis.
- **Policy Rationale/Objectives of the measure:** The extension of the disclosure deadlines is meant to assist the regulated entities in remaining compliant with the capital market regulations while suspending as much of their business activities as possible to comply with the government's directives.

Sector impacted: All Sectors

Requirements around Annual General Meetings (AGMs)

- On April 12, 2020 the Authority issued Circular No. (3) of 2020 regarding holding general assemblies for the financial year ending on 31/12/2020 through the electronic platform (E-Voting).
- **Policy Rationale/Objectives of the measure:** This is to ensure that general assemblies of listed companies are in line with the government measures currently taken for the safety of citizens and residents in the country.

Sector impacted: All Sectors



Short Selling and Volatility Controls (2)

- On April 21, 2020 The Capital Markets Authority issued Resolution 31 of 2020 which authorized the licensed market maker to borrow treasury shares of a listed company.
- **Policy Rationale/Objectives of the measure:** The goal is to provide the market maker with additional tools which can help further stabilize the market.

Sector impacted: Trading Venues

- Beginning on March 21, 2020 – the CMA began an awareness campaign which utilized social media (Twitter, Instagram and Facebook), the CMA website and the CMA smart phone application to broadcast a total of 155 messages that cover the following topics:
 1. Financial analysis & advice resources.
 2. Submitting Financial Reports during the pandemic & running electronic General Assembly's meetings.
 3. Disclosure of information & financial standings during this critical period.
 4. Unethical and Insider Trading behavior & practices.
 5. Market Maker's Licensing.
 6. Electronic Legal Reporting & complaints submission (ongoing).
- **Policy Rationale/Objectives of the measure:** The campaign is to empower the investor with knowledge that would help him/her avoid being taken advantage of during this period. It also increases the awareness of changes made to existing CMA procedures and the introduction to new policies.

Sector impacted: All Sectors

- The CMA has implemented electronic investigations procedures which include:
 1. The electronic notification of the individual through email or through the CMA website platform for registered persons.
 2. The recipient of the notification will have the option of appearing in person (where the COVID 19 Ministry of Health guidelines will be strictly implemented), send an email to defend himself/herself against the charges or utilize the remote investigation interface.
- The remote investigation interface will utilize the Cisco Webex Meetings platform. This offers a secure platform that will support the interaction of multiple parties and record the conversation(video and audio) and enables the CMA to store evidence in the case file.
- The individual notified will be able to respond to the charges even if they are outside of Kuwait and may attend the session with a lawyer.
- The notified individual will be required to confirm his identity, address the charges and defend his/her position with verbal statements in addition to any other forms of evidence that they can provide.
- **Policy Rationale/Objectives of the measure:** This will enable the CMA to conduct investigations while adhering to the government health guidelines. **Sector impacted:** All Sectors